



CONDENSED MILK #18

“Doing the Math” with Property Microinsurance in Coastal Colombia

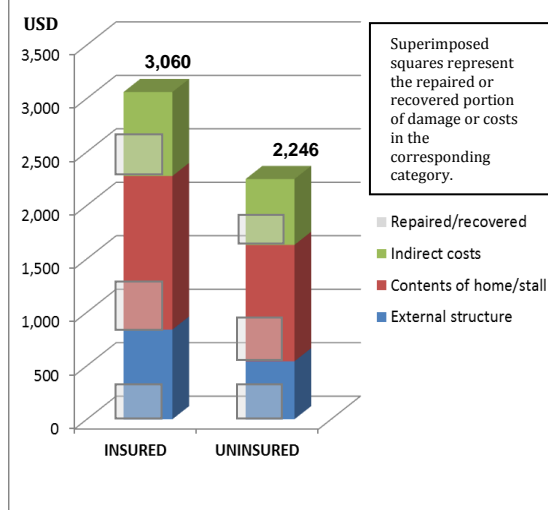
Studying MAPFRE Colombia’s home and microenterprise property microinsurance

Weather-related catastrophe can have a devastating financial impact on the lives and businesses of people in the affected area, and low-income people are particularly vulnerable. MILK partnered with the commercial insurer MAPFRE to study the value of a property microinsurance product in the wake of one such event. The product is offered on a voluntary basis to clients of the microfinance institution Fundación delamujer. Clients can combine any of three coverage types: structural damage, building contents damage, or lost income. We interviewed insured and uninsured people who experienced damage due to widespread and severe flooding in the coastal areas of Colombia in 2010 to gain an understanding of the full cost of the flood, how it was financed, and the role that the insurance product played.

What did we learn?

- ⇒ The product helped clients retain access to formal loans but fell short of helping them recover from flood costs.
- ⇒ Insured and uninsured clients spent similar amounts to repair or replace damaged property, and neither was able to recover the full value of damages.
- ⇒ Loans from Fundación delamujer were the most substantial and common financing source for both insured and uninsured respondents. On average, the large majority of the claim payout received by the insured was used to pay down this debt.
- ⇒ Family and friends played a relatively minor role compared to our observations in other Client Math studies of life insurance, for example. This may be due to the fact that families were also affected by the flood or by the frequency of flooding in the area. This may have left them less able to offer assistance, and also may have created an incentive for family and friends to avoid setting a precedent for future loans.

Figure1: Total Damages and Recovered Portion

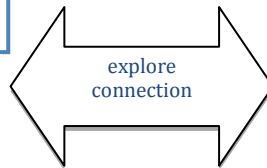




Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre that is working to gain insight into two questions:

Is there a **business case** for microinsurance among insurers and delivery channels?

- Detailed financial case studies of insurers, intermediaries, and distributors
- Leveraging and updating existing case studies
- Alliances with other data collection efforts
- Analysis of large intermediaries
- Industry-wide analysis



Do clients get **value** from microinsurance?

- “Building blocks” drawing together lessons from existing work
- Client Math studies
- Randomized control trial exploring links between demand and value
- Additional original research
- Collaborative efforts with other researchers

MILK Publications

Available on the MILK website at <http://www.microinsurancecentre.org/milk-project/milk-docs.html>

MILK Briefs

- MILK Brief #1: What is MILK?
- MILK Brief #2: Client Value Landscape Study
- MILK Brief #3: Business Case Landscape Study
- MILK Brief #4: What We Know About the Financial Value of Microinsurance for Poor Clients: A Snapshot
- MILK Brief #5: Changing Role of Family Networks in Coping with Risk
- MILK Brief #6: Research Design for Measuring the Client Value of Microinsurance
- MILK Brief #7: A Microinsurance Puzzle: How do Demand Factors link to Client Value?
- MILK Brief #8: "Doing the Math" - Cashless Funeral Microinsurance in Colombia
- MILK Brief #9: What is "Client Math"?
- MILK Brief #10: "Doing the Math" with Property Insurance in Ghana
- MILK Brief #11: Doing the Math: Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" in Karnataka, India
- MILK Brief #13: "Doing the Math" - Funeral and Life Microinsurance in the Philippines
- MILK Brief #14: The Business Case for Life Microinsurance in the Philippines: Initial Findings
- MILK Brief #15: "Doing the Math" – Catastrophe Insurance in Haiti
- MILK Brief #16: "Doing the Math" – Life Microinsurance in Mexico
- MILK Brief #17: "Doing the Math" – Calamity Microinsurance in the Philippines

Literature Reviews

- Is There a Business Case for Microinsurance? A review of recent literature
- Do Clients Get Value from Microinsurance? A systematic review of recent and current research

Discussion Notes

- MILK Discussion Note #1: Doing the Math: Can Delayed Payment of Claims Erode the Value of Life Microinsurance?
- MILK Discussion Note #2: Are Existing Health Financing Mechanisms Sufficient for Poor Women in Guatemala?
- MILK Discussion Note #3: Counting Lives Covered: Getting it Right

Randomized Control Trial

- MILK RCT – Protecting those Left Behind: An Experimental Study of Life Microinsurance Purchase Decisions of Compartamos Banco's Borrowers in Mexico

Coming Soon!

- “Doing the Math” with Calamity Microinsurance in the Philippines
- “Doing the Math” with Property Microinsurance in Coastal Colombia
- Multinational Microinsurance-only Intermediaries: Is there a business case?
- Agricultural microinsurance: High potential but low demand